

U.S.-KOREA TRADE AGREEMENT

Missouri Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Missouri agricultural products, including beef, pork, soybeans and related products, and feed grains. Missouri's agricultural exports to all countries, estimated at \$2.7 billion in 2009, supported about 21,600 jobs, on and off the farm. These export sales make an important contribution to the Missouri farm economy, which had total cash receipts of \$7.7 billion in 2009.

Cattle and Beef. Cash receipts from the cattle and calf industry totaled \$1.2 billion or 16 percent of the state's total in 2009. Among the KORUS agreement's benefits to Missouri's beef producers and processors:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Soybeans and Products. Soybeans and related products are the largest source of cash receipts in the state at \$2.0 billion, and they are also the state's top agricultural export reaching \$1.2 billion in 2009.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota (TRQ) starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Feed Grains. Corn is the state's second largest source of farm cash receipts at \$1.4 billion in 2009. Under the KORUS agreement:

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.

- The agreement includes a new 93,774-metric ton duty-free TRQ for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Hogs and Pork. Missouri's hog farmers cash receipts in 2009 totaled \$767 million. Under the KORUS agreement:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Turkey and Egg Products. Missouri's turkey industry generated cash receipts of \$305 million in 2009, while an additional \$125 million was derived through egg production. The KORUS agreement will provide many benefits to the Missouri turkey and egg producers.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korean tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Missouri to World
Cattle and Beef	\$6,703,000,000	\$229,000,000
Soybeans and Products	\$17,709,000,000	\$1,215,000,000
Feed Grains	\$3,948,000,000	\$378,000,000
Hogs and Pork	\$2,204,000,000	\$141,000,000
Turkey and Egg Products	\$4,850,000,000	\$12,000,000
Agricultural Total	\$96,632,000,000	\$2,706,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.